


# 2006 California Volunteer Manual

Form 540 2EZ

## FORM 540 2EZ, PROBLEM 2 W-2 INFORMATION FOR HENRY HOLMES

a Control number	22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		 Visit the IRS website at <a href="http://www.irs.gov">www.irs.gov</a>	
b Employer identification number ((****))	1 Wages, tips, other compensation <b>21,001.01</b>		2 Federal income tax withheld <b>1,616.00</b>			
c Employer's name, address, and ZIP code  <b>Highland Inc. 12798 Haggard Street Happy Camp, CA 96039</b>	3 Social security wages <b>21,001.01</b>		4 Social security tax withheld <b>1,302.00</b>			
	5 Medicare wages and tips <b>21,001.01</b>		6 Medicare tax withheld <b>305.00</b>			
	7 Social security tips		8 Allocated tips			
d Employee's social security number ((****))	9 Advance EIC payment		10 Dependent care benefits			
e Employee's name (first, middle initial, last)  <b>Henry Holmes 55 Halston Way Happy Camp, CA 96039</b>	11 Nonqualified plans		12 Benefits included in box 1			
	13 Statutory Employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>		12b			
	14 Other		12c			
			12d			
f Employee's address and ZIP code						
15 State	Employer's state I.D. no.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name
CA	((****))	<b>21,001.01</b>	<b>612.00</b>			

Form

**W-2 Wage and Tax Statement**

**2006**


Department of the Treasury- Internal Revenue Service  
For Privacy Act and Paperwork Reduction Act Notice, see separate instructions

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# 2006 California Volunteer Manual

Form 540 2EZ

## FORM 540 2EZ, PROBLEM 2 W-2 INFORMATION FOR HANNAH HOLMES

a Control number	22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008		Visit the IRS website at <a href="http://www.irs.gov">www.irs.gov</a>
b Employer identification number ((****))				1 Wages, tips, other compensation <b>13,550.00</b>	2 Federal income tax withheld <b>905.01</b>
c Employer's name, address, and ZIP code  <b>Happy Hair 758 Haven Lot Happy Camp, CA 96039</b>				3 Social security wages <b>13,550.00</b>	4 Social security tax withheld <b>840.00</b>
				5 Medicare wages and tips <b>13,550.00</b>	6 Medicare tax withheld <b>196.00</b>
				7 Social security tips	8 Allocated tips
d Employee's social security number ((****))				9 Advance EIC payment	10 Dependent care benefits
e Employee's name (first, middle initial, last) <b>Hannah Holmes 55 Halston Way Happy Camp, CA 96039</b>				11 Nonqualified plans	12 Benefits included in box 1
				13 Statutory Employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b
				14 Other	12c
					12d
f Employee's address and ZIP code					
15 State	Employer's state I.D. no.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax
CA	((****))	<b>13,550.00</b>	<b>379.00</b>		
					20 Locality name

Form

**W-2 Wage and Tax Statement**

**2006**

Department of the Treasury- Internal Revenue Service  
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Act Notice, see separate instructions

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*2006 California Volunteer Manual*

***Form***

***540A***

***Section***

## BEFORE YOU BEGIN THE 540A

If your client claimed the educator expenses or tuition and fees deduction, a Form 540 must be filed for California purposes.

The Form 540A may be used if your clients:

1. Have income only from:
  - \* Wages, salaries, and tips
  - \* Taxable scholarship or fellowship grants
  - \* Interest and dividends
  - \* Unemployment compensation
  - \* Social security benefits
  - \* Tier 1 and tier 2 railroad retirement benefits
  - \* Fully or partially taxable IRA distributions, pensions, or annuities
2. Have adjustments only to their federal adjusted gross income.
3. Claim a **standard deduction** or claim **itemized deductions** and the amounts are the same as your clients' federal itemized deductions except for the adjustments for state, local, and foreign taxes paid.
4. Claim the following exemption credits:
  - \* Personal exemption
  - \* Dependent exemption
  - \* Blind exemption
  - \* Senior exemption
  - \* Nonrefundable renter's credit
  - \* Child and Dependent Care Expenses credit

5. Claim the following payments:
  - \* Withholding from Forms W-2, W-2G, 1099-INT, 1099-DIV, and 1099-R
  - \* Estimated tax paid or estimated tax applied from their 2003 return
  - \* Payments made with extension voucher
  - \* Excess State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI)

Generally, the Form 540A should be filed if your clients are filing the federal Form 1040A or Form 1040.



*If your clients' claimed any of the following adjustments on their federal return, you **must** file Form 540.*

- \* Student loan interest deduction
- \* Health savings account deduction

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# *2006 California Volunteer Manual*

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*Form 540A*

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## **STEP 1 – NAME, ADDRESS, & SOCIAL SECURITY NUMBERS**

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The instructions for these sections are the same for all of the forms (540 2EZ, 540A, and 540). Refer to page 13, general information section, for specific instructions.

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## **STEP 2 – FILING STATUS**

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Fill in only one of the circles on line 1 through line 5. Be sure to enter the required information if you filled in the circle on line 3, or line 5. For additional information about filing status, refer to page 13, general information section.

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## **STEP 3 - EXEMPTIONS**

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### **LINE 6 CAN BE CLAIMED AS DEPENDENT**

Fill in the circle on line 6 if your clients or their spouse can be claimed as a dependent on someone else's return.

For additional information about clients who can be claimed as dependents, refer to page 14, general information section.

### **LINE 7 PERSONAL**

For information about the personal exemption credit, refer to page 14, general information section.

### **LINE 8 BLIND**

For information about the blind exemption credit, refer to page 15, general information section.

### **LINE 9 SENIOR**

For information about the senior exemption credit, refer to page 15, general information section.

### **LINE 10 DEPENDENTS**

An exemption credit is allowed for each dependent. For additional information about dependent exemptions, refer to page 15, general information section.

### **LINE 11 TOTAL NUMBER OF EXEMPTIONS**

Add line 7 through line 10.

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Form 540A

## STEP 4 – TAXABLE INCOME

### LINE 12a STATE WAGES

Add up the amounts shown for state wages, tips, etc. from box 16 on each of your clients' Forms W-2 and enter the total on line 12a.

### LINE 12b FEDERAL ADJUSTED GROSS INCOME

Enter the federal adjusted gross income from:

- \* Form 1040EZ, line 4
- \* Form 1040A, line 21
- \* Form 1040, line 35

## CALIFORNIA INCOME ADJUSTMENTS

### LINE 13 CALIFORNIA INCOME ADJUSTMENTS

California does not tax certain types of income that are taxable on your clients' federal return. There may be differences between the taxable amounts of federal and California IRA distributions, pensions, and annuities.

You may need to make an adjustment on lines 13a through 13f if your clients reported any of the following types of income on their federal return:

- \* State income tax refund
- \* Unemployment compensation
- \* Social security benefits
- \* Tier 1 or tier 2 railroad retirement benefits
- \* Interest income
- \* Dividend income
- \* IRA income
- \* Pension income

### LINE 13 a STATE INCOME TAX REFUND ADJUSTMENT

California does not tax state income tax refunds.

For additional information about a state income tax refund adjustment, refer to page 16, general information section.

### LINE 13b UNEMPLOYMENT COMPENSATION ADJUSTMENT

California does not tax unemployment compensation. Enter the amount of unemployment compensation if included on:

- \* Form 1040EZ, line 3
- \* Form 1040A, line 13
- \* Form 1040, line 19

# 2006 California Volunteer Manual

Form 540A

## **LINE 13c SOCIAL SECURITY BENEFITS, TIER 1 AND TIER 2 RAILROAD RETIREMENT BENEFITS ADJUSTMENTS**

California does not tax:

- \* Social security benefits
- \* Tier 1 and tier 2 railroad retirement benefits.

Enter on line 13c the total of any of these amounts shown on your clients' Form 1040A, line 14b or Form 1040, line 20b. Do not include any other pension amounts on this line.



*Line 13c is for Social Security or equivalent income only. See line 13f if your client received tier 2 railroad retirement benefits, or tier 1, non-social security equivalent.*

For additional information about this adjustment, refer to page 16, general information section.

## **LINE 13d CALIFORNIA NONTAXABLE INTEREST OR DIVIDEND INCOME ADJUSTMENT**

California does not tax interest earned from:

- \* United States savings bonds
- \* United States treasury bills
- \* Any other bonds or obligations of the United States, U.S. territories, and government agency obligations specifically exempted by federal law

For additional information about this adjustment, refer to page 17, general information section.



*If your client has interest from municipal or state bonds from a state other than California, this interest income is taxed by California. You may not use Form 540A. Use Form 540 or e-file.*

## **LINE 13e CALIFORNIA IRA DISTRIBUTIONS ADJUSTMENT**

For specific information about IRA distribution adjustments, refer to pages 17 through 20, general information section.

## **LINE 13f NON-TAXABLE PENSION AND ANNUITIES ADJUSTMENT**

California and federal law generally treat pension and annuity income the same. For additional information about pension and annuity adjustments, refer to the general information section, page 17.

## **LINE 13g TOTAL CALIFORNIA INCOME ADJUSTMENTS**

Add lines 13a through 13f. If this amount is a negative number, enter the amount in parentheses, and add it to the amount on line 12b.

## **LINE 14 CALIFORNIA ADJUSTED GROSS INCOME**

Subtract line 13g from line 12b and enter the result on line 14



# 2006 California Volunteer Manual

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Form 540A

## **LINE 15 STANDARD DEDUCTION OR ITEMIZED DEDUCTIONS**

Your clients must decide whether to itemize their deductions or to take the state standard deduction. Use the method that gives your clients the greater deduction.

For additional information about standard and itemized deductions, refer to pages 21 through 23, general information section.

## **LINE 16 TAXABLE INCOME**

Subtract line 15 from line 14. This is your clients' taxable income. If this amount is less than zero, enter -0- on line 16.

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## **STEP 5 – TAX AND CREDITS**

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### **LINE 17 TAX**

Determine your clients' tax using the tax table in your clients' booklet or in this manual on page 159.

For additional information on how to compute your clients' tax, refer to page 24, general information section.

### **LINE 18 EXEMPTION CREDITS**

Enter the amount from line 11. This is the total of your clients' exemption credits.

### **LINE 19 NONREFUNDABLE RENTER'S CREDIT**

To determine if your clients qualify for the nonrefundable renter's credit, refer to page 27, general information section.

### **LINE 20 TOTAL CREDITS**

Add line 18 and line 19 and enter the total on line 20.

### **LINE 23 TOTAL TAX**

Figure your clients' total tax by subtracting line 20 from line 17. If the amount is zero or less, enter -0- on line 23.

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## **STEP 6 – OVERPAID TAX OR TAX DUE**

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### **LINE 24**

Enter the amount from Side 1, line 23.

### **LINE 25 CALIFORNIA INCOME TAX WITHHELD**

Enter your clients' total California income tax withheld listed in box 17 on Forms W-2.

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# 2006 California Volunteer Manual

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## Form 540A

If a joint return is filed, be sure to include the amount withheld from the spouse's wages.

For additional information about income tax withheld, refer to page 26, general information section.

### **LINE 26 2006 CALIFORNIA ESTIMATED TAX AND PAYMENT WITH FORM FTB 3519**

For information about estimated taxes, refer to page 27, general information section.

### **LINE 27 EXCESS SDI**

Your clients may claim a credit for excess California State Disability Insurance (SDI) or Voluntary Plan Disability Insurance (VPDI).

For additional information about excess SDI or VPDI, refer to page 30, general information section.

### **LINES 28-31 CHILD AND DEPENDENT CARE EXPENSES CREDIT**

#### **LINES 28 & 29**

Enter the qualifying person(s) social security number(s). If your clients have more than three qualifying persons, refer to page 31, general information section, for additional information. You must complete and attach form FTB 3506 to your clients' Form 540A.

#### **LINE 30**

Enter the amount from form FTB 3506, line 8.

#### **LINE 31**

Enter the amount from form FTB 3506, line 12.

### **LINE 32 TOTAL PAYMENTS AND CREDITS**

Add the amounts on line 25, line 26, line 27, and line 31. Enter the result on line 32.

### **LINE 33 OVERPAID TAX**

Is the amount on line 32 more than the amount on line 24?

**NO:** Go to line 36.

**YES:** Subtract line 24 from line 32. This is the total amount overpaid by your clients.

All or part can be

- \* Refunded to your clients (line 38)
- \* Applied to your clients' 2006 estimated taxes (line 34)
- or
- \* Given as a contribution (see Part II, Contributions)

### **LINE 34 AMOUNT OF LINE 33 TO BE APPLIED TO 2007 ESTIMATED TAX**

Enter the amount of line 33, if any, that your clients want applied to their estimated tax for 2007.



*The amount on line 34 must be at least \$5.00.*

### **LINE 35 AMOUNT OF OVERPAID TAX AVAILABLE THIS YEAR**

If an amount was entered on line 34, subtract that amount from line 33 and enter the result on line 35.

## **LINE 36 TAX DUE**

Is the amount on line 32 less than the amount on line 24?

**NO:** Go to line 37.

**YES:** Your clients' taxes are more than the total of their payments and credits. Subtract line 32 from line 24 and enter the result on line 36.

Advise your clients there are penalties for not paying enough tax during the year.

They may have to pay a penalty if the tax due on line 36 is \$200 or more; and the amount of state income tax withheld on line 25 is less than 90% of the amount of the total tax on line 24.

If your clients owe a penalty, Franchise Tax Board will compute the penalty and send a bill.

## **LINE 37 USE TAX**

Please refer to page 24 in the general information section for information regarding use tax.

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## **STEP 7 - CONTRIBUTIONS**

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## **LINE 38 TOTAL CONTRIBUTIONS**

Your clients may make contributions to any of the funds listed on line 52 through line 64.

For a list of these funds and a description of each, refer to page 150.

The amount of a contribution will reduce your clients' refund or, in the event of taxes owed, will increase the amount owed.

Enter the total contributions on line 38.

For additional information about contributions, refer to page 35, general information section.

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## ***2006 California Volunteer Manual***

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*Form 540A*

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### **STEP 8 – REFUND OR AMOUNT YOU OWE**

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#### **LINE 39 REFUND OR NO AMOUNT DUE**

Subtract line 37 and line 38 from line 35. If the result is 0 or more, enter this amount on line 39. This is the amount of your clients' refund. If this amount is less than \$1, a written request must be attached to the return.

#### **LINE 40 AMOUNT YOU OWE**

If the combined amount from line 37 and line 38 is more than line 35, enter the difference on line 40.

For additional information on Tax Due returns, refer to page 36, general information section.

#### **LINE 41 UNDERPAYMENT OF ESTIMATED TAX**

This is beyond the scope of the VITA/TCE volunteer program. If your clients think that this may apply to them, refer those clients to Franchise Tax Board's toll-free public assistance number.

#### **LINE 42 2006 TAX FORMS**

If your clients do not need forms to be mailed to them next year, fill in the circle on line 41.

#### **DIRECT DEPOSIT OF REFUND**

It's fast, safe, and convenient for your clients to have their refund deposited directly into their bank account.

Refer to page 36, general information section, for additional information on direct deposit and an illustration showing which bank numbers to use.

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## ***SIGN HERE***

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The instructions for Signing the Return are the same for all of the forms (540 2EZ, 540A, and 540). Refer to page 38, general information section, for specific instructions.

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## ***QUALITY REVIEW CHECKLIST***

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For the Quality Review Checklist and additional tasks that must be completed once you have filled out the return, refer to page 38 in the general information section.

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# 2006 California Volunteer Manual

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Form 540A

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## FORM 540A PROBLEM 1 DATA SHEET

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Form 1040 has been completed for the following clients. You must now complete Form 540A. Below is information needed to complete the state return.

### Clients Information:

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Name:..... David D. Duggins – ((\*\*\*\*))  
Birth Date – 04/15/1960  
Dawn D. Duggins –((\*\*\*\*))  
Birth Date – 04/15/1962  
Address:..... 667 Desert Drive  
Decoto, CA 94587  
Phone #:.....(510) 887-6549  
Filing Status: ..... Married filing jointly  
Dependents:..... Two/Son & Daughter  
Dale Duggins ((\*\*\*\*))  
Danielle Duggins ((\*\*\*\*))  
Birth date (Dale) - 5/14/1994  
Birth date (Danielle) - 7/14/2000

### Additional Information


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1. The interest (\$28.00) on line 8a of the Form 1040 is from David & Dawn's checking account.
2. David & Dawn would like to itemize for the state. You will find a Federal Schedule A along with their Form 1040.
3. David & Dawn are reporting a state income tax refund from last year.
4. David & Dawn own their home.
5. David & Dawn are claiming the Child & Dependent Care Expenses credit on their federal return.

# 2006 California Volunteer Manual

Form 540A

## FORM 540A, PROBLEM 1 W-2 INFORMATION FOR DAVID D. DUGGINS

a Control number	22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008				Visit the IRS website at <a href="http://www.irs.gov">www.irs.gov</a>	
b Employer identification number ((****))				1 Wages, tips, other compensation <b>14,985.03</b>	2 Federal income tax withheld <b>1,506.17</b>			
c Employer's name, address, and ZIP code  <b>Divine Dig 777 Dart Drive Decoto, CA 94587</b>				3 Social security wages <b>14,985.03</b>	4 Social security tax withheld <b>1,169.00</b>			
				5 Medicare wages and tips <b>14,985.03</b>	6 Medicare tax withheld <b>507.00</b>			
				7 Social security tips	8 Allocated tips			
d Employee's social security number ((****))				9 Advance EIC payment		10 Dependent care benefits		
e Employee's name (first, middle initial, last) <b>David D. Duggins 667 Desert Drive Decoto, CA 94587</b>				11 Nonqualified plans		12 Benefits included in box 1		
				13 Statutory Employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b			
				14 Other	12c			
							12d	
f Employee's address and ZIP code								
15 State	Employer's state I.D. no.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name		
CA	((****))	<b>14,985.03</b>	<b>212.00</b>		<b>CA SDI</b>	<b>119.00</b>		

Form

**W-2 Wage and Tax  
Statement**

**2006**

Dep


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# 2006 California Volunteer Manual

Form 540A

## FORM 540A, PROBLEM 1 W-2 INFORMATION FOR DAWN D. DUGGINS

a Control number	22222	Void <input type="checkbox"/>	For Official Use Only OMB No. 1545-0008				Visit the IRS website at <a href="http://www.irs.gov">www.irs.gov</a>	
b Employer identification number ((****))				1 Wages, tips, other compensation <b>8,001.01</b>	2 Federal income tax withheld <b>200.25</b>			
c Employer's name, address, and ZIP code  <b>D.D.C 567 Dalton Drive Decoto, CA 94587</b>				3 Social security wages <b>8,001.01</b>	4 Social security tax withheld <b>550.00</b>			
				5 Medicare wages and tips <b>8001.01</b>	6 Medicare tax withheld <b>163.00</b>			
				7 Social security tips	8 Allocated tips			
d Employee's social security number ((****))				9 Advance EIC payment		10 Dependent care benefits		
e Employee's name (first, middle initial, last)  <b>Dawn D. Duggins 667 Desert Drive Decoto, CA 94587</b>				11 Nonqualified plans		12 Benefits included in box 1		
				13 Statutory Employee <input type="checkbox"/> Retirement plan <input type="checkbox"/> Third-party sick pay <input type="checkbox"/>	12b			
				14 Other		12c		
						12d		
f Employee's address and ZIP code								
15 State	Employer's state I.D. no.	16 State wages, tips, etc.	17 State income tax	18 Local wages, tips, etc.	19 Local income tax	20 Locality name		
CA	((****))	<b>8001.01</b>	<b>72.00</b>					

Form

**W-2 Wage and Tax  
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